

Hen
7-21-93

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

FCC 93-40

In the Matter of

The Prescription of Revised Percentages of
Depreciation pursuant to the Communications
Act of 1934, as amended for:

The Bell Telephone Company of Pennsylvania)
BellSouth Telecommunications, Inc.)
The Chesapeake and Potomac Telephone Company)
The Chesapeake and Potomac Telephone Company of Maryland)
GTE Florida Incorporated)
GTE Hawaiian Telephone Company, Incorporated)
Indiana Bell Telephone Company, Incorporated)
Michigan Bell Telephone Company)
New York Telephone Company)
Southwestern Bell Telephone Company)
U S West Communications, Inc.)
United Telephone-Southeast, Inc.)
Wisconsin Bell, Inc.)

MEMORANDUM OPINION AND ORDER

Adopted: January 15, 1993

Released: January 15, 1993

By the Commission:

I. INTRODUCTION

1. In this Memorandum Opinion and Order, we prescribe depreciation rates and amortizations for thirteen local exchange carriers (LECs) that filed requests for such changes in 1992. We determined these depreciation rates and amortizations after considering the studies underlying the carriers' requests, staff analysis and recommendations, and the comments of the state commissions.

FEDERAL COMMUNICATIONS COMMISSION
Schedule of Annual Percentages of Depreciation for
SOUTHWESTERN BELL TELEPHONE COMPANY - KANSAS

APPENDIX
PAGE 14

Effective January 1, 1992

Rate Category Description	Average Remaining Life	Future Net Salvage	Reserve Level	Remaining Life Rate
-----	-----	-----	-----	-----
	(years)	(%)	(%)	(%)
	A	B	C	D=(100%-B-C)/A
2112 MOTOR VEHICLES	4.0	12	47.9	10.0
2115 GARAGE WORK EGT	8.0	3	-173.0	34.0
2116 OTHER WORK EGT	9.1	3	40.1	6.3
2121 BUILDINGS	27.0	6	26.1	2.5
2122 FURNITURE	17.8	6	33.8	3.4
2123 OFF. EGT-OFFICE SUPPORT	6.8	1	23.6	11.1
2123 OFF. EGT-OFFICE COM EGT	5.2	1	58.4	7.8
2124 GENL. PURP. COMPUTERS	3.6	6	64.3	8.3
2210 ANALOG ELECT SWITCH	5.7	0	51.5	8.5
2210 CROSSBAR #	---	-5	-32.6	---
2210 DIGITAL ELECT SWITCH	10.7	5	21.1	6.9
2210 STEP-BY-STEP a	---	-5	50.0	---
2220 OPERATOR SYSTEMS	4.6	0	43.6	12.3
2230 ANALOG CIRCUIT-OTH	6.0	-4	47.4	9.4
2230 DIGITAL CIRCUIT-OTH	6.9	1	31.1	9.8
2230 DIGITAL DATA SYSTEMS	3.6	0	16.0	23.3
2230 RADIO	9.1	5	49.1	5.0
2311 STATION APPARATUS	7.2	-2	71.9	4.2
2341 LPBX	4.6	-2	73.9	6.1
2351 PUBLIC TELEPHONE	6.6	3	51.9	6.8
2362 OTHER TERMINAL EQUIP	5.4	-2	47.3	10.1
2411 POLES	11.4	-79	90.8	7.7
2421 AERIAL CABLE-EXCH	13.1	-21	49.8	5.4
2421 AERIAL CABLE-TOLL *	---	-7	-173.3	---
2422 U G CABLE-EXCH FIBER	19.1	-10	19.0	4.8
2422 U G CABLE-EXCH METAL	16.3	-24	50.2	4.5
2422 U G CABLE-TOLL FIBER	14.0	-10	20.3	6.4
2422 U G CABLE-TOLL METAL	6.2	-19	50.0	11.1
2423 BURIED CABLE-EXCH MET	13.4	-5	43.6	4.6
2423 BURIED CABLE-TOLL MET	7.1	-1	38.6	8.8
2423 BURIED CA-EXCH FIBER	21.0	-6	12.8	4.4
2423 BURIED CA-TOLL FIBER	16.7	-6	14.6	5.5
2424 SUBMARINE CABLE	11.7	0	68.5	2.7
2426 INTRABLDG NTKW CABLE	13.6	-17	45.7	5.2
2431 AERIAL WIRE-EXCH	3.6	-57	113.5	12.1
2441 CONDUIT SYSTEMS	48.0	-6	24.5	1.7

The figures in Columns B, C, and D are percentages of gross book cost.

The net service value for the Crossbar Account is to be amortized over a twelve month period ending December 31, 1992.

a The net service value for the Step-by-Step Account is to be amortized over a forty-two month period ending June 30, 1995.

* The net service value for the Aerial Cable-Toll Account is to be amortized over a forty-eight month period ending December 31, 1995.

TOTAL GENERAL AND ADMINISTRATIVE EXPENSE

Five components make up the general and administrative expense, engineering, executive & planning, general & administrative, benefits, and rents.

State engineering, executive & planning, and general & administrative are shown on the state annual report as well as being on the company MR10 & MR15 reports. However, the state benefits and rents portion of this expense are not shown on the state annual report or ARMIS. They are taken from the company CAP1 report and the figures for each state from this report total to the corresponding number for the company on the ARMIS report.

Attached are copies of the reports showing these figures.

Engineering	13,369,398
Executive & Planning	6,790,338
General & Administration	78,301,854
Benefits	14,890
Rents	<u>3,919,906</u>
Total	102,396,386

State MR15: Engineering Exp.

Arkansas	12,692,207
Kansas	13,369,398
Missouri	22,096,090
Oklahoma	16,975,550
Texas	57,303,235
Total	<u>122,436,480</u>
ARMIS 685	122,436 <<In Thousands

**TELEPHONE UTILITY
ANNUAL REPORT
OF**

Southwestern Bell Telephone Company

(EXACT LEGAL NAME OF RESPONDENT)

IF NAME WAS CHANGED DURING YEAR, SHOW ALSO NAME AND DATE OF CHANGE

220 E. 6th Street, Topeka, Kansas 66603

(ADDRESS OF PRINCIPAL BUSINESS OFFICE AT END OF YEAR)

AREA CODE **913** TELEPHONE **276-8761**

TO THE

State of Kansas

State Corporation Commission

FOR THE

YEAR ENDING DECEMBER 31, 19 93

GROSS OPERATING REVENUES DERIVED FROM KANSAS INTRASTATE OPERATIONS	\$539,476,000
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20. OPERATING EXPENSES

Account No.	Operating Expense Accounts (a)	Amount for the Current Year (b)	Increase (Decrease) from Prior Year (c)
	PLANT NONSPECIFIC OPERATIONS EXPENSE		
	<u>Other Property Plant and Equipment Expenses</u>		
6511	Property Held for Future Telecom. Use Exp.	0	0
6512	Provisioning Expense	477,767	307,596
	Total Other Prop. Plant and Equip. Expenses	477,767	307,596
	<u>Network Operations Expenses</u>		
6531	Power Expense	2,666,999	158,276
6532	Network Administration Expense	8,512,492	2,092,984
6533	Testing Expense	10,268,555	(110,659)
6534	Plant Operations Administration Expense	14,408,328	2,242,593
6535	Engineering Expense	13,369,398	1,274,738
	Total Network Operations Expenses	49,225,772	5,657,932
6540	<u>Access Expense</u>	50,711,818	5,992,920
	<u>Depreciation and Amortization Expenses</u>		
6561	Depr. Expense—Telecom. Plant in Service	126,747,126	(8,145,720)
6561.1	Amortization of Extraordinary Retirements	0	0
6562	Depr. Expense— Prop. Held for Future Telecom.	1,805	(148)
6563	Amortization Expense—Tangible	1,004,499	103,094
6564	Amortization Expense—Intangible	0	0
6565	Amortization Expense—Other	1,742,843	0
	Total Depreciation and Amortization Expenses	129,496,273	(8,042,774)
	TOTAL PLANT NONSPECIFIC OPERATIONS EXPENSES	229,911,630	3,915,674
	CUSTOMER OPERATIONS EXPENSE		
6610	Marketing	19,274,556	4,915,107
6620	Services	78,951,608	9,164,230
	TOTAL CUSTOMER OPERATIONS EXPENSE	98,226,164	14,079,337
	CORPORATE OPERATIONS EXPENSE		
6710	Executive and Planning	6,790,338	1,296,236
6720	General and Administration	78,301,854	10,532,634
6790	Provision for Uncollectible Notes Receivable	0	0
	TOTAL CORPORATE OPERATIONS EXPENSES	85,092,192	11,828,870
	TOTAL OPERATING EXPENSE	\$557,085,685	\$23,520,825

Circle one (See instructions page for this schedule at front of annual report)

1) Kansas specific expenses—

Operating expenses are Kansas related since company operates only in Kansas or company operates in states besides Kansas but has specifically identified Kansas related expenses.

2) All State expenses—

Company operates in states besides Kansas but cannot readily identify Kansas specific expenses.

SOUTHWESTERN BELL TELEPHONE COMPANY

PROC ENTITY - ALL STATE - KANSAS

AREA - ALL

REPORT PERIOD - YEAR END 1993

REPORT PERIOD - AS REQD

PROGRAM - FOCCAP1

REPORT - CAP1 EXPENSE MATRIX TOTALS BY FINAL ACCOUNT FOR KANSAS

TODAY'S DATE - 01/14/94

PAGE - 2

MAIN ACCOUNT	DESCRIPTION	SALARIES AND WAGES	SOCIAL SECURITY	RELIEF AND PENSIONS	OPERATING RENTS	OTHER EXPENSES	ACCOUNT TOTAL
-----------------	-------------	-----------------------	--------------------	------------------------	--------------------	-------------------	------------------

6362 OTHER TERMINAL EQUIP EXPENSE

63XX TOTAL INFO ORIG/TERM EXP

6411 POLES EXPENSE

6421 AERIAL CABLE EXPENSE

6422 UNDERGROUND CABLE EXPENSE

6423 BURIED CABLE EXPENSE

6424 SUBMARINE CABLE EXPENSE

6425 DEEP SEA CABLE EXPENSE

6426 INTRABUILDING NTKW CABLE EXP

6431 AERIAL WIRE

6441 CONDUIT SYSTEMS EXPENSE

2900.43

11990.98

64XX TOTAL CABLE/WIRE FACIL EXP

TOTAL PLANT SPECIFIC OPER EXP

3919906.46

6511 PROP HELD FOR FUT TELCOM USE

6512 PROVISIONING EXPENSE

6512 CLEARANCE

NET BALANCE

651X TOTAL OTH PROP PLT/EQ EXP

6531 POWER EXPENSE

6532 NETWORK ADMINISTRATION EXPEN

6533 TESTING EXPENSE

6534 PLANT OPERATIONS EXPENSE

6534 CLEARANCE

NET BALANCE

6535 ENGINEERING EXPENSE

6535 CLEARANCE

NET BALANCE

653X TOTAL NETWORK OPER EXPEN

6540 ACCESS EXPENSE

PROPRIETARY: NOT FOR DISCLOSURE OUTSIDE OF SOUTHWESTERN BELL TELEPHONE COMPANY EXCEPT UNDER WRITTEN AGREEMENT

BENEFITS.

2920
11990
14898

COMPANY: Southwestern Bell Telephone Co.
STUDY AREA: All
PERIOD: From Jan 1993 To Dec 1993
COSA: SWTR

Approved by OMB
3060-0395
Expires 5/31/94
Unrestricted Version
SUBMISSION 1
TABLE I-1-3
PAGE 1 OF 2

TABLE I-1 - INCOME STATEMENT ACCOUNTS
(Dollars in Thousands)

Row/ Acct. No.	Account Title (aa)	Total (ab)	Salaries and Wages (ac)	Benefits (ad)	Rents (ae)	Other Expenses (af)
Plant Nonspecific Operations						
6511	PHFTU	0	0	0	N/A	0
6512	Provisioning	34,485	17,707	549	N/A	16,229
660	Clearance - Provisioning	32,468	16,439	0	N/A	16,028
665	Net Balance - Provisioning	2,020	1,268	549	N/A	203
6510	Other property plant and equipment expense	2,020	1,268	549	N/A	203
6531	Power	26,547	0	0	N/A	26,547
6532	Network administration	74,337	49,436	20,011	N/A	4,890
6533	Testing	159,510	107,005	44,652	N/A	7,853
6534	Plant operations administration	168,019	86,704	35,541	N/A	45,773
670	Clearance - Plant operations administration	14,198	8,160	3,449	N/A	2,588
675	Net Balance - Plant operations administration	153,821	78,544	32,092	N/A	43,185
6535	Engineering	140,143	76,829	31,565	N/A	31,748
680	Clearance - Engineering	17,706	11,189	4,788	N/A	1,729
685	Net Balance - Engineering	122,438	65,640	26,777	N/A	30,019
6530	Network Operations	536,651	300,625	123,532	N/A	112,494
6540	Access	119,010	0	0	N/A	119,010
6561	Depreciation-TPIS	1,558,353	N/A	N/A	N/A	1,558,353
6562	Depreciation-PHFTU	25	N/A	N/A	N/A	25
6563	Amortization-tangible	7,757	N/A	N/A	N/A	7,757
6564	Amortization-intangible	0	N/A	N/A	N/A	0
6565	Amortization-other	18,338	N/A	N/A	N/A	18,338
6560	Depreciation & Amortization Expense	1,584,474	N/A	N/A	N/A	1,584,474
690	Total Plant Nonspecific Operations	2,242,155	301,894	124,080	N/A	1,816,181

SOUTHWESTERN BELL TELEPHONE CO
ARKANSAS

MR REPORT NO. 015
PAGE 17

PLANT OPERATIONS EXPENSES
12/30/93

01/13/94 03:52:24

WHOLE \$

THIS MONTH

THIS YEAR
TO DATE

****UNCLASSIFIED PRODUCTIVE TIME

ENG-UNCLASS PRODUCTIVE TIME DIR LAB 653541

ENG-UNCLASS PRODUCTIVE TIME BEN 653542

****EQUAL ACCESS & NETWORK RECONF.

*****TRANSFERRED TO UNAMORT EA

ENG-TSFR TO UNAMORT EA-SALEWAG&OTH 6535541

ENG-EA&NR TSFR UNAMORT EA BENEFITS 653554B

TOTAL ENGINEERING

939,639

12,692,207

TOTAL NETWORK OPERATIONS

**ACCESS

TOTAL ACCESS

TOTAL PLANT NONSPECIFIC OPERATIONS

TOTAL PLANT OPERATIONS
=====

REPORT CONTACT: RALPH EMKE (314) 235-4934
(CYC,RPT,FMT,STRU) CYC001 015 EXP 88

RETENTION: DECEMBER - 25 YEARS
OTHER MOS. - 6YEARS

* PROPRIETARY-NOT FOR DISCLOSURE OUTSIDE SBWT EXCEPT UNDER WRITTEN AGREEMENT. *

SOUTHWESTERN BELL TELEPHONE CO
KANSAS

MR REPORT NO. 015
PAGE 16

PLANT OPERATIONS EXPENSES
12/30/93

01/13/94 03:52:24

WHOLE \$	THIS MONTH	THIS YEAR TO DATE
ENG-GEN SUPV-OTHER EXP	653529	
ENG-GEN SUPV-SAL&WAG-CONST	65352A	
ENG-GEN SUPV-BEN & SS CONST	65352B	
ENG-GEN SUPV-OTH EXP-CONST	65352C	
****OTHER ENGINEERING EXPENSE		
ENG-OTH ENG-DIRECT LABOR	653531	
ENG-OTH ENG BENEFITS	653532	
ENG-OTH ENG-OTH DIRECT EXPENSES	653539	
****UNCLASSIFIED PRODUCTIVE TIME		
ENG-UNCLASS PRODUCTIVE TIME DIR LAB	653541	
ENG-UNCLASS PRODUCTIVE TIME BEN	653542	
****EQUAL ACCESS & NETWORK RECONF.		
*****TRANSFERRED TO UNAMORT EA		
ENG-TSFR TO UNAMORT EA-SAL&WAG&OTH	6535541	
ENG-EA&NR TSFR UNAMORT EA BENEFITS	653554B	

TOTAL ENGINEERING	823,069	13,369,398
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TOTAL NETWORK OPERATIONS

**ACCESS

ACC-ST CARR-LOCAL TRANSPORT-SWITCH	654021
ACC-ST CARR-LOCAL SWITCHING	654022
ACC-ST CARR-CARRIER COMMON LINE	654023
ACC-ST CARR-LOCAL TRANSPORT SPECIAL	654024

TOTAL ACCESS

TOTAL PLANT NONSPECIFIC OPERATIONS

TOTAL PLANT OPERATIONS
=====

REPORT CONTACT: RALPH EMKE (314) 235-4934
(CYC,RPT,FMT,STRU) CYC001 015 EXP 88

RETENTION: DECEMBER - 25 YEARS
OTHER MOS. - 6YEARS

* PROPRIETARY-NOT FOR DISCLOSURE OUTSIDE SWBT EXCEPT UNDER WRITTEN AGREEMENT. *

SOUTHWESTERN BELL TELEPHONE CO
MISSOURI

MR REPORT NO. 015

PAGE 17

PLANT OPERATIONS EXPENSES
12/30/93

01/13/94 03:52:24

WHOLE \$

THIS MONTH

THIS YEAR
TO DATE

***ENGINEERING

****INDIRECT SUPERVISION & CLERICAL

ENG-INDIR SUPV&CLRC SUPT-SAL&WAG	653511
ENG-INDIR SUPV&CLRC SUPT-BENEFITS	653512
ENG-INDIR SUPV&CLRC SUPT-OTH EXP	653519
ENG-INDIR SUPV&CLRC-SAL&WAG-CONST	65351A
ENG-INDIR SUPV&CLRC-BEN & SS CONST	65351B
ENG-INDIR SUPV&CLRC-OTH EXP CONST	65351C

****GENERAL SUPERVISION

ENG-GEN SUPV-SAL&WAG	653521
ENG-GEN SUPV-BENEFITS	653522
ENG-GEN SUPV-OTHER EXP	653529
ENG-GEN SUPV-SAL&WAG-CONST	65352A
ENG-GEN SUPV-BEN & SS CONST	65352B
ENG-GEN SUPV-OTH EXP-CONST	65352C

****OTHER ENGINEERING EXPENSE

ENG-OTH ENG-DIRECT LABOR	653531
ENG-OTH ENG BENEFITS	653532
ENG-OTH ENG-OTH DIRECT EXPENSES	653539

***UNCLASSIFIED PRODUCTIVE TIME

ENG-UNCLASS PRODUCTIVE TIME DIR LAB	653541
ENG-UNCLASS PRODUCTIVE TIME BEN	653542

****EQUAL ACCESS & NETWORK RECONF.

*****TRANSFERRED TO UNAMORT EA

ENG-TSFR TO UNAMORT EA-SAL&WAG&OTH	6535541
ENG-EA&NR TSFR UNAMORT EA BENEFITS	653554B

TOTAL ENGINEERING

1,514,266

22,096,090

TOTAL NETWORK OPERATIONS

**ACCESS

ACC-ST CARR-OTHER	654029
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TOTAL ACCESS

TOTAL PLANT NONSPECIFIC OPERATIONS

TOTAL PLANT OPERATIONS

=====

REPORT CONTACT: RALPH EMKE (314) 235-4934
(CYC,RPT,FMT,STRU) CYC001 015 EXP 88

RETENTION: DECEMBER - 25 YEARS
OTHER MOS. - 6YEARS

* PROPRIETARY-NOT FOR DISCLOSURE OUTSIDE SWBT EXCEPT UNDER WRITTEN AGREEMENT. *

SOUTHWESTERN BELL TELEPHONE CO
OKLAHOMA

MR REPORT NO. 015
PAGE 17

PLANT OPERATIONS EXPENSES
12/30/93

01/13/94 03:52:24

WHOLE \$	THIS MONTH	THIS YEAR TO DATE
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***ENGINEERING

****INDIRECT SUPERVISION & CLERICAL

ENG-INDIR SUPV&CLRC SUPT-SAL&WAG	653511
ENG-INDIR SUPV&CLRC SUPT-BENEFITS	653512
ENG-INDIR SUPV&CLRC SUPT-OTH EXP	653519
ENG-INDIR SUPV&CLRC-SAL&WAG-CONST	65351A
ENG-INDIR SUPV&CLRC-BEN & SS CONST	65351B
ENG-INDIR SUPV&CLRC-OTH EXP CONST	65351C

****GENERAL SUPERVISION

ENG-GEN SUPV-SAL&WAG	653521
ENG-GEN SUPV-BENEFITS	653522
ENG-GEN SUPV-OTHER EXP	653529
ENG-GEN SUPV-SAL&WAG-CONST	65352A
ENG-GEN SUPV-BEN & SS CONST	65352B
ENG-GEN SUPV-OTH EXP-CONST	65352C

****OTHER ENGINEERING EXPENSE

ENG-OTH ENG-DIRECT LABOR	653531
ENG-OTH ENG BENEFITS	653532
ENG-OTH ENG-OTH DIRECT EXPENSES	653539

****UNCLASSIFIED PRODUCTIVE TIME

ENG-UNCLASS PRODUCTIVE TIME DIR LAB	653541
ENG-UNCLASS PRODUCTIVE TIME BEN	653542

****EQUAL ACCESS & NETWORK RECONF.

*****TRANSFERRED TO UNAMORT EA

ENG-TSFR TO UNAMORT EA-SAL&WAG&OTH	6535541
ENG-EA&NR TSFR UNAMORT EA BENEFITS	653554B

TOTAL ENGINEERING	1,193,897	16,975,550
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TOTAL NETWORK OPERATIONS

**ACCESS

ACC-ST CARR-OTHER	654029
-------------------	--------

TOTAL ACCESS

TOTAL PLANT NONSPECIFIC OPERATIONS

TOTAL PLANT OPERATIONS

REPORT CONTACT: RALPH EMKE (314) 235-4934
(CYC,RPT,FMT,STRU) CYC001 015 EXP 88
RETENTION: DECEMBER - 25 YEARS
OTHER MOS. - 6YEARS

* PROPRIETARY-NOT FOR DISCLOSURE OUTSIDE SWBT EXCEPT UNDER WRITTEN AGREEMENT. *

SOUTHWESTERN BELL TELEPHONE CO
TEXAS

MR REPORT NO. 015
PAGE 17

PLANT OPERATIONS EXPENSES
12/30/93

01/13/94 03:52:24

WHOLE \$

THIS MONTH THIS YEAR
TO DATE

PLNT OPR-GEN SUPV-S/,HQ&BELCOR OTH 653429
PLNT-GEN SUPV-S/,HQ&BELCR SAL-CONST 65342A
PLNT OPR-GEN SUPV-S/,HQ&BELCR-BEN&SSC 65342B
PLNT-GEN SUPV-S/,HQ&BELCR OTH CONST 65342C
****OTHER PLANT EXPENSES
PLANT OPR ADMIN-OTH PLANT-DIR LAB 653431
PLANT OPR ADMIN-OTH PLANT EXP-BEN 653432
PLNT OPR ADMIN-OTH PLANT-OTH-DIR EXP 653439
****TRANSFERRED TO UNAMORT EA
PLNT OPR-TSFR TO UNAMORT EA-SAL&WAG 653461

TOT PLANT OPERATIONS ADMINISTRATION

***ENGINEERING

****INDIRECT SUPERVISION & CLERICAL

ENG-INDIR SUPV&CLRC SUPT-SAL&WAG 653511
ENG-INDIR SUPV&CLRC SUPT-BENEFITS 653512
ENG-INDIR SUPV&CLRC SUPT-OTH EXP 653519
ENG-INDIR SUPV&CLRC-SAL&WAG-CONST 65351A
ENG-INDIR SUPV&CLRC-BEN & SS CONST 65351B
ENG-INDIR SUPV&CLRC-OTH EXP CONST 65351C

****GENERAL SUPERVISION

ENG-GEN SUPV-SAL&WAG 653521
ENG-GEN SUPV-BENEFITS 653522
ENG-GEN SUPV-OTHER EXP 653529
ENG-GEN SUPV-SAL&WAG-CONST 65352A
ENG-GEN SUPV-BEN & SS CONST 65352B
ENG-GEN SUPV-OTH EXP-CONST 65352C

****OTHER ENGINEERING EXPENSE

ENG-OTH ENG-DIRECT LABOR 653531
ENG-OTH ENG BENEFITS 653532
ENG-OTH ENG-OTH DIRECT EXPENSES 653539

****UNCLASSIFIED PRODUCTIVE TIME

ENG-UNCLASS PRODUCTIVE TIME DIR LAB 653541
ENG-UNCLASS PRODUCTIVE TIME BEN 653542

****EQUAL ACCESS & NETWORK RECONF.

ENG-EA&NR-EA 653551
ENG-EA&NR EXP BENEFITS 653553

*****TRANSFERRED TO UNAMORT EA

ENG-TSFR TO UNAMORT EA-SAL&WAG&OTH 6535541
ENG-EA&NR TSFR UNAMORT EA BENEFITS 653554B

TOTAL ENGINEERING

3,686,502 57,303,235

TOTAL NETWORK OPERATIONS

REPORT CONTACT: RALPH EMKE (314) 235-4934
(CYC,RPT,FMT,STRU) CYC001 015 EXP 88

RETENTION: DECEMBER - 25 YEARS
OTHER NOS. - 6YEARS

* PROPRIETARY-NOT FOR DISCLOSURE OUTSIDE SBBT EXCEPT UNDER WRITTEN AGREEMENT. *

NORMALIZED TAXES EXPENSE

Normalized taxes are comprised of following five accounts:

- 7210 Operating investment tax credits-net
- 7220 Operating federal income taxes
- 7230 Operating state and local income taxes
- 7240 Operating other taxes
- 7250 Provision for deferred operating income tax-net

Each of these components are shown on the ARMIS report for the company, however, they are not reported separately for each state, neither are they reported on the state annual report. SWB obtains this data from company report F-435.

Attached is a summary of SWB tax data for the above listed accounts and a copy of the page from ARMIS showing the company totals.

COMPANY: Southwestern Bell Telephone Co.
STUDY AREA: All
PERIOD: From Jan 1993 To Dec 1993
COSA: SWTR

TABLE I-1 - INCOME STATEMENT ACCOUNTS
(Dollars in Thousands)

Row/ Acct. No.	Account Title (a)	Amount (b)
	<u>Other Operating Income and Expense</u>	
7110	Income from custom work	4,279
7130	Return from nonreg use of regulated facilities	0
7140	Gains/losses from foreign exchange	0
7150	Gains/losses from disposition of land & artworks	(1)
7160	Other operating gains and losses	165
7100	Other operating income and expenses	4,444
	<u>Operating Taxes</u>	
7210	Operating investment tax credits-net	63,649
7220	Operating federal income taxes	628,363
7230	Operating state and local income taxes	38,298
7240	Operating other taxes	501,382
7250	Provision for deferred operating income tax-net	(172,729)
7200	Operating Taxes	931,665
	<u>Nonoperating Income and Expense</u>	
7310	Dividend income	4,547
7320	Interest income	1,596
7330	Income from sinking and other funds	0
7340	Allowance for funds used during const (AFUDC)	8,304
7350	Gains/losses from the disposition of property	(615)
7360	Other nonoperating income	(2,862)
7370	Special charges	49,871
7300	Nonoperating Income and Expense	(38,900)
	<u>Nonoperating Taxes</u>	
7410	Nonoperating investment tax credits-net	0
7420	Nonoperating federal income taxes	(17,235)
7430	Nonoperating state and local income taxes	(916)
7440	Nonoperating other taxes	621
7450	Provision for deferred nonoperating income tax-net	(164)
7400	Nonoperating Taxes	(17,694)

SUMMARY OF 93 TAX DATA

	Arkansas	Kansas	Missouri	Oklahoma	Texas	Company
Net Bal. 721	-4,278,885	-5,323,338	-9,361,537	-6,908,908	-37,776,449	-63,649,117

	Arkansas	Kansas	Missouri	Oklahoma	Texas	Company
Net Bal. 722	35,781,908	51,372,639	97,431,366	63,527,835	380,248,937	628,362,685

	Arkansas	Kansas	Missouri	Oklahoma	Texas	Company
Net Bal. 723	7,066,749	10,187,410	9,981,317	11,062,625	0	38,298,101

	Arkansas	Kansas	Missouri	Oklahoma	Texas	Company
Net Bal. 724	14,854,092	49,748,780	83,429,927	33,992,291	319,356,528	501,381,618

	Arkansas	Kansas	Missouri	Oklahoma	Texas	Company
Net Bal. 725	-7,133,659	-14,687,979	-10,597,743	-18,522,150	-121,787,119	-172,728,650

	Arkansas	Kansas	Missouri	Oklahoma	Texas	
Grand Total						
7210-7250	46,290,205	91,297,512	170,883,330	83,151,693	540,041,897	931,664,637

The company figures in the far right column in the shaded cells match the correspond figures on the ARMIS report. The ARMIS figures are in thousands.

11

CONDUIT MAINTENANCE EXPENSE

Conduit maintenance expense is computed by subtracting benefits and rents for the conduit account from the conduit maintenance expense.

State benefits and rents associated with conduit are not reported on ARMIS or on state annual reports. Therefore, SWB obtains these figures from the company report CAP1. Attached is a copy of the CAP1 page containing conduit benefits and rents for Kansas. Also attached is a copy of the Kansas annual report showing the total conduit maintenance expense.

Conduit Maintenance Expense Calculation

Conduit Maintenance Exp. 236,051

SS	2900
Relief & Pensions	<u>11990</u>
Total Benefits	14890

Rents	1344
-------	------

Total Benefits & Rents	-	16,234
<hr/>		
Balance Maintenance Exp.		219,817

**TELEPHONE UTILITY
ANNUAL REPORT
OF**

Southwestern Bell Telephone Company

(EXACT LEGAL NAME OF RESPONDENT)

IF NAME WAS CHANGED DURING YEAR, SHOW ALSO NAME AND DATE OF CHANGE

220 E. 6th Street, Topeka, Kansas 66603

(ADDRESS OF PRINCIPAL BUSINESS OFFICE AT END OF YEAR)

AREA CODE **913** TELEPHONE **276-8761**

TO THE

State of Kansas

State Corporation Commission

FOR THE

YEAR ENDING DECEMBER 31, 19 93

GROSS OPERATING REVENUES DERIVED FROM KANSAS INTRASTATE OPERATIONS	\$539,476,000
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20. OPERATING EXPENSES

Account No.	Operating Expense Accounts (a)	Amount for the Current Year (b)	Increase (Decrease) from Prior Year (c)
	PLANT SPECIFIC OPERATIONS EXPENSE		
	<u>Network Support Expenses</u>		
6112	Motor Vehicle Expense	\$667,318	\$30,029
6113	Aircraft Expense	0	0
6114	Special Purpose Vehicles Expense	0	0
6115	Garage Work Equipment Expense	33,527	308
6116	Other Work Equipment Expense	53,640	58,267
	Total Network Support Expenses	754,485	88,604
	<u>General Support Expenses</u>		
6121	Land and Building Expenses	19,867,416	(245,098)
6122	Furniture and Artworks Expense	2,491,672	308,965
6123	Office Equipment Expense	4,055,914	(1,156,241)
6124	General Purpose Computers Expense	17,739,213	(2,435,392)
	Total General Support Expenses	44,154,215	(3,527,766)
	<u>Central Office Switching Expenses</u>		
6211	Analog Electronic Expense	5,326,025	(7,485,230)
6212	Digital Electronic Expense	14,378,084	(6,700,291)
6215	Electro-Mechanical Expense	888,202	(755,933)
	Total Central Office Switching Expenses	20,592,311	(14,941,454)
6220	<u>Operators System Expense</u>	1,385,748	289,586
6230	<u>Central Office Transmission Expense</u>	7,283,494	(712,997)
	<u>Information/Origination/Termination Expense</u>		
6311	Station Apparatus Expense	138,221	67,701
6341	Large Private Branch Exchange Expense	31,399	(119,640)
6351	Public Telephone Terminal Equipment Expense	2,839,938	(219,407)
6362	Other Terminal Equipment Expense	14,050,239	3,870,723
	Total Inf./Orig./Termination Expenses	17,059,797	3,599,377
	<u>Cable and Wire Facilities Expenses</u>		
6411	Poles Expense	1,409,218	69,149
6421	Aerial Cable Expense	13,082,155	2,324,640
6422	Underground Cable Expense	2,570,471	322,085
6423	Buried Cable Expense	35,289,804	6,181,383
6424	Submarine Cable Expense	352	(5)
6425	Deep Sea Cable Expense	0	0
6426	Intrabuilding Network Cable Expense	2,954	(2,954)
6431	Aerial Wire Expense	34,644	(3,843)
6441	Conduit Systems Expense	236,051	11,139
	Total Cable and Wire Facilities Expenses	52,625,649	8,901,594
	TOTAL PLANT SPECIFIC OPERATIONS EXPENSE	143,855,699	(6,303,056)

SOUTHWESTERN BELL TELEPHONE COMPANY

PROC ENTITY - ALL STATE - KANSAS

AREA - ALL

REPORT PERIOD - YEAR END 1993

REPORT PERIOD - AS REQD

PROGRAM - FOCCAP1

REPORT - CAPX EXPENSE MATRIX TOTALS BY FINAL ACCOUNT FOR KANSAS

TODAY'S DATE - 01/14/94

PAGE - 2

MAIN ACCOUNT	DESCRIPTION	SALARIES AND WAGES	SOCIAL SECURITY	RELIEF AND PENSIONS	OPERATING RENTS	OTHER EXPENSES	ACCOUNT TOTAL
-----------------	-------------	-----------------------	--------------------	------------------------	--------------------	-------------------	------------------

6362 OTHER TERMINAL EQUIP EXPENSE

63XX TOTAL INFO ORIG/TERM EXP

6411 POLES EXPENSE

6421 AERIAL CABLE EXPENSE

6422 UNDERGROUND CABLE EXPENSE

6423 BURIED CABLE EXPENSE

6424 SUBMARINE CABLE EXPENSE

6425 DEEP SEA CABLE EXPENSE

6426 INTRABUILDING NTRK CABLE EXP

6431 AERIAL WIRE

6441 CONDUIT SYSTEMS EXPENSE

2900.43

11990.98

1344.84

64XX TOTAL CBL/WIRE FACIL EXP

TOTAL PLANT SPECIFIC OPER EX

6511 PROP HELD FOR FUT TELCOM USE

6512 PROVISIONING EXPENSE

6512 CLEARANCE

NET BALANCE

651X TOTAL OTH PROP PLT/EQ EXP

6531 POWER EXPENSE

6532 NETWORK ADMINISTRATION EXPEN

6533 TESTING EXPENSE

6534 PLANT OPERATIONS EXPENSE

6534 CLEARANCE

NET BALANCE

6535 ENGINEERING EXPENSE

6535 CLEARANCE

NET BALANCE

65XX TOTAL NETWORK OPER EXPEN

6560 ACCESS EXPENSE

PROPRIETARY: NOT FOR DISCLOSURE OUTSIDE OF SOUTHWESTERN BELL TELEPHONE COMPANY EXCEPT UNDER WRITTEN AGREEMENT

State of Kansas



HAYDEN
TH R HENLEY
RICH KOWALEWSKI
MARGALEE WRIGHT
JUDITH MCCONNELL
FRANK A. CARO JR

GOVERNOR
CHAIRMAN
COMMISSIONER
COMMISSIONER
EXECUTIVE DIRECTOR
GENERAL COUNSEL

Kansas Corporation Commission

Fourth Floor, Docking State Office Bldg.

Ph. 913-296-3355

TOPEKA, KANSAS 66612-1571

February 2, 1990

DATE 2/5/90 ~~Mr. Rankin~~

Please Handle	Please Discuss	FYI

Mr. Lockett
Mr. Sawyer
Ms Swiney
Ms Bothofner
Ms. McKay

☐ ☐ Round Robin ☐

Enclosed is a copy of an order in Docket No. 166,856-U, as issued by
the Commission on the 2nd day of February 1990.

KANSAS CORPORATION COMMISSION

Judith McConnell
Executive Director

dd
enc.

FFB 0 2 1990

THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

Before Commissioners: Keith R. Henley, Chairman
Rich Kowalewski
Margalee Wright

IN THE MATTER OF SOUTHWESTERN BELL)	
TELEPHONE COMPANY'S PROPOSAL FOR)	Docket No.
NETWORK MODERNIZATION, RATE STABILITY)	166,856-U
AND PRICING REGULATION, a/k/a)	
"TELEKANSAS".)	

ORDER

The petition of Southwestern Bell Telephone Company (SWBT) comes on for consideration and final determination by the State Corporation Commission of the State of Kansas (Commission). SWBT seeks approval by the Commission of its proposed network modernization, rate stability and pricing regulation plan, known as TeleKansas.

Commissioners Keith R. Henley, Rich Kowalewski, and Margalee Wright presided at the hearing. The following appearances were entered: Lawrence A. Dimmitt, Michael C. Cavell, Ruth Sears and Janet Kerr of Topeka, Kansas on behalf of SWBT; Thomas A. Gleason of Ottawa, Kansas on behalf of The Independent Telephone Companies, Assaria, et al. (Assaria); Maria Kendro of Overland Park, Kansas on behalf of United Telephone Company (United); James M. Caplinger of Topeka, Kansas on behalf of 16 intervenors titled Blue Valley, et. al. (Blue Valley); William G. Riggins of Topeka, Kansas on behalf of the Citizens' Utility Ratepayers Board (CURB); Eva Powers of Topeka, Kansas and Edward J. Cadieux of St. Louis, Missouri on behalf of MCI Telecommunications Corporation (MCI); Curtis M. Irby

requirements of the divestiture docket. Staff asserted the information filed in rebuttal testimony still failed to provide all the required information.

43. The Commission has adopted the stipulations, and as such, the inclusion or exclusion of Bellcore expense in this docket has become moot. However, the Commission reaffirms the requirements of Docket No. 137,534-U regarding Bellcore expense, and finds that SWBT did not meet those requirements in the manner in which it justified Bellcore expense in this docket. For purposes of future proceedings, the company is advised to provide more adequate support for its Bellcore expense in a more traditional and timely manner.

H. RATE OF RETURN

44. Staff recommended the Commission establish an authorized return on equity (ROE) for SWBT, recognizing that under the stipulation an ROE will not be necessary for purposes of establishing rates during TeleKansas. However, staff stated that the ROE of 14.5%, authorized in 1984, is inappropriate under present circumstances as it is too high and should not continue as the company's only ROE authorized by this Commission. Furthermore, staff pointed out that an ROE for the company would be necessary for use in the upcoming access charge hearings, and rather than duplicate the efforts already expended in this proceeding, the Commission should base an ROE on the evidence presently before it for use in the access charge hearings.

45. Staff's recommended ROE was 12.25% to 13.25%, which included an additive of .15%. The additive was in recognition of the plan SWBT was implementing under TeleKansas. CURB argued that staff's additive was unsupported by evidence, and should be rejected by the Commission. Boeing and DoD both maintained that an ROE should be established for SWBT in this docket.

46. SWBT maintained that establishing an ROE in this proceeding appears contrary to the intent of the stipulation. SWBT recommended the Commission not authorize an ROE until it is faced with a proceeding requiring one. In the alternative, SWBT recommended the Commission adopt its ROE of 14.5% to 15.5%.

47. The Commission agrees the letter and intent behind the stipulation entered into by SWBT and staff was to allow the company flexibility in pricing certain services during the period of TeleKansas without the consideration of traditional regulatory mechanisms such as ROE. The Commission also agrees that, absent any unforeseen "drastic" occurrences, an ROE will be unnecessary during the five years of the plan for purposes of rate setting. Basic rates can not be raised and flexibly priced services will not be evaluated using an ROE. However, access charge hearings will be held within six months of the issuance of this order and it would seem a duplication of effort to relitigate the ROE issue again in that docket. The Commission believes it is more efficient to make a determination on a reasonable ROE now, while all the evidence is before us.

48. Staff recommended an ROE of 12.25% to 13.25%, based upon its DCF analysis and an additive. SWBT recommended 14.5% to 15.5%, a range higher than that adopted by the Commission in the 1984 proceeding. The Commission agrees with staff that the presently authorized ROE of 14.5% is no longer valid in today's economic circumstances. SWBT's proposed range is clearly out of line with the recent level of return on equity authorized in Kansas by this Commission and will not be adopted. Staff's DCF analysis is consistent with methodology employed in past Commission proceedings and results in a reasonable ROE. Staff's DCF methodology and results shall be adopted. However, the Commission agrees with CURB that staff has not supported the additive ROE of .15%, and therefore, will exclude the additive, making staff's ROE range of reasonableness 12.10% to 13.10%. The overall rate of return range, without the additive, is 8.46% to 8.89%.

49. Finally, since the Commission does not see a need to establish an ROE in this proceeding for any reason other than access hearings, we will adopt the above reasonableness range as a whole rather than a specific ROE. The Commission believes such a finding will recognize the "give and take" embodied in the Staff/SWB Stipulation while still insuring that ROE will not be completely relitigated in access charge hearings to be held less than six months from the issuance of this order.

IT IS, THEREFORE, BY THE COMMISSION ORDERED:

The petition of SWBT for approval of its network modernization, rate stability and pricing regulation plan, known as TeleKansas, is approved as amended by the SWBT/Staff Stipulation (Appendix A), the SWBT/IXC/Staff Stipulation (Appendix B) and this order;

SWBT shall file within 30 days of the date of this order tariffs designed to implement the provisions of TeleKansas;

Once these tariffs are submitted for Commission staff review, the tariffs shall become effective as determined by the Commission;

SWBT shall submit any documents, information and/or reports to staff as required by this order;

SWBT shall contact all Local Exchange Carriers certified in Kansas for purposes of establishing the Industry Board as required by this order;

SWBT shall comply with other rulings of the Commission, all as set forth in this order and the stipulations incorporated into and made a part of this order.

The parties have 15 days (plus an additional 3 days if service is by mail) from the date of the issuance of this order in which to file for reconsideration of any matter decided herein.